



February 14, 2013

House Committee on Insurance and Real Estate  
State of Connecticut

RE: HB 5637 and HB 5638 – 30 day for Payment from an AMC Requirement and  
Proposed One Million Dollar Bond Requirement for Appraisal Management Companies

Dear Sir/Madam:

The National Association of Appraisal Management Companies (NAAMC) is a nationwide trade association dedicated to enhancing the public trust in the role of Appraisal Management Companies (AMC) by supporting governmental regulations that promote appraiser independence, the Uniform Standard of Professional Appraisal Practice (USPAP), industry innovation and superior valuation products that benefit our clients and consumers.

NAAMC partners with governmental agencies at both the federal and state levels promoting reasonable, constructive and fair AMC industry regulations that benefit consumers, independent appraisers, AMC's and the real estate valuation industry.

The purpose and intent of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was consumer protection and appraisal independence. Dodd-Frank requires that individual states implement regulation of AMC's. NAAMC has partnered with many States in providing information and input as each individual State frames their own AMC statutes.

We respectfully request that the Members of the House Committee on Insurance and Real Estate consider the following areas with respect to the proposed legislation during their deliberations; First, the \$1,000,000 bond requirement, Second, the reduction from a 60 day payment cycle to a 30 day payment cycle for independent contractor appraisers.

First: HB5637

*"...that the general statutes be amended to require appraisal management companies engaged in business in this state to post a bond payable to the Department of Consumer Protection of not less than one million dollars to reimburse certified or licensed appraisers for services rendered to but not paid by such companies..."*

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The purpose and intent of Dodd-Frank was consumer protection and appraiser independence. We would respectfully suggest that by imposing a Bond requirement HB 5637 imposes a burden on only one party to a private business transaction surrounding the creation of a mortgage secured by real property.

A residential mortgage is the result of a multi entity contractually defined process between a lender and a consumer. The process may include the services of Brokers, Realtors, AMCs, Appraisers, Title Insurers, and Lawyers or closing agents.

To the best of our knowledge, none of the other entities are singled out by having to secure a \$1,000,000 Bond for fees to be paid to their independent subcontractors. The relationship between AMC's and Appraisers is an independent contractor relationship. Contractual obligations exist between the parties in this fee for service relationship and there are well established statutory guidelines which underscore and provide redress for payment obligations between the parties.

It must be noted that the result of the Bond at one million dollars will be an additional cost passed on to the consumer. The people of Connecticut will pay more than people in other states where the AMC Bond requirements are \$25,000.

A Bond typically costs a business 1 to 3 percent of the total bond. There are currently 141 licensed AMC's in Connecticut. The proposed legislation could mean a minimum of 1.4 million dollars in increased costs for the AMC's doing business in Connecticut. The unintended consequences will include; fewer AMC's doing business in Connecticut and the Connecticut consumer paying more money for an appraisal report.

Of the 26 states which have implemented AMC regulations to date only half have required Bonds. None of the Bond requirements is greater than \$25,000. NAAMC respectfully recommends that the Bond amount for the State of Connecticut should not exceed \$25,000.

Second: HB 5638

*"...That chapter 400g of the general statute amended to decrease the time frame for payment by an appraisal management company to an appraiser for an appraisal or valuation assignment from sixty days to thirty days..."*

Work agreements between AMC's and Independent Contractors are contractually defined. The AMC and their Appraiser Partner enter into a Service Level Agreement (SLA) defined by the SLA requirements established by the client. When an Appraiser accepts an order from an AMC they are contractually obligated to meet the specifics of the SLA as established and communicated to the independent appraiser by the AMC.



NATIONAL ASSOCIATION OF APPRAISAL MANAGEMENT COMPANIES

We would respectfully suggest that a 30 day payment cycle is overly burdensome on the AMC industry. Again, the other parties to the transaction are not bound by statute to pay the AMC within 30 days for an appraisal assignment.

There are no protections for the AMC in the proposed legislation regarding receipt of payments from their lender clients. The AMC is forced to pay an Independent Appraiser within 30 days for a service the appraiser performed for which the AMC might not receive payment for 60 days or more.

The proposed requirement will make it more difficult for AMCs to work in the State of Connecticut. A reduction in the number of AMC's who can afford to work in Connecticut will lead to less competition for the institutions which use AMC's to provide the consumer protections and appraiser independence as required by Dodd-Frank.

The auditing and accounting costs for an AMC associated with having to maintain two disparate invoicing systems would be onerous and not cost effective for the industry. The report is paid when complete. Both the AMC and the Independent Contractor must bear the burdens of maintaining their business's income and obligations.

NAAMC sees no direct benefit to the public arising out of this proposal.

Part of the services an AMC provides for their clients are to address SLA omissions prior to delivery to the client and to facilitate necessary corrections from the appraiser partner requested by lender's underwriting or quality control departments post delivery.

Acting as an agent for the Bank one of the responsibilities of an AMC is to provide quality control for the appraisals it manages. This includes technical reviews of an appraiser's work product, USPAP review, and appraisal methodology. This is an accepted process between the client, the AMC and the independent appraiser. This process can take up to several days before a completed report is delivered to the client.

The legislation, as proposed, does not define what a completed appraisal assignment is. The lack of a definition of a completed assignment will create regulatory confusion and preclude compliance due to lack of clarity.

Does the payment requirement "clock" start ticking at the first submission of a report to the AMC or to the Client? Is the 'clock" based on calendar days or business days?

NAAMC respectfully suggests that the legislation regarding reduction of the AMC payment cycle should be rejected as proposed and that the Committee should instead take up the important task of defining what a completed assignment is.

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It is our opinion that the 60 day payment cycle should begin at the time when the contractual obligation between the AMC and the independent contractor has been met and a USPAP and SLA compliant report is submitted to the client for invoicing by the AMC.

NAAMC respectfully suggests that the language in proposed legislation should be clearly define that payment on reports should only include those reports which have met the standards set forth in USPAP and meet the minimum standards set forth in the agreed upon SLA between the independent appraiser, the AMC and the lender/bank client.

We hope that the information contained in this document helps to better inform the members of the committee on the issues facing AMC's. We appreciate the opportunity to be heard and make ourselves available to the committee members for additional information at your convenience.

George T. Panichas Jr.  
President  
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George K. Demopoulos  
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